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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 000860

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JA, TW

SUBJECT: SEF CHAIRMAN P.K. CHIANG ON CROSS-STRAIT TALKS AND  
RECENT DIAOYUTAI (SENKAKU) INCIDENT WITH JAPAN

REF: TAIPEI 00831

Classified By: AIT Director Stephen M. Young,  
Reason(s): 1.4 (B/D)

¶1. (C) Summary: Straits Exchange Foundation (SEF) Chairman P.K. Chiang told the Director on June 17 he was pleased with the results of the June 11-14 talks in Beijing with China's Association for Relations Across the Taiwan Strait (ARATS). Chiang said the two agreements on passenger charter flights and Chinese tourism were "relatively straightforward." Future SEF-ARATS talks will focus on starting cargo charter flights, establishing direct flight routes, and opening direct sea shipping. On the ongoing dispute between Taiwan and Japan over the recent sinking of a Taiwan fishing vessel near the disputed Diaoyutai (Senkaku) Islands, Chiang said the Japanese have essentially apologized for the incident, but he added that it will be difficult to reach a negotiated settlement over fishing rights in the surrounding seas. End Summary.

Charter and Tourist Agreements the Easy Part  
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¶2. (C) SEF Chairman P.K. Chiang (Pin-kung) met with the Director on June 17 to discuss his June 11-14 visit to Beijing. Chiang was satisfied with the resumption of the SEF-ARATS dialogue, which produced the signing of agreements on cross-Strait weekend charter flights and Chinese tourism on June 13 (Ref A). Chiang said both sides had clearly signaled their intentions well in advance of the actual talks and worked off the foundation laid by informal negotiations conducted by the Chen administration over the past few years, making an agreement "relatively straightforward." Chiang predicted that the number of mainland tourists to Taiwan will quickly reach the agreed to limit of 3,000 per day once the new cap goes into effect on July 18.

¶3. (C) The Director reiterated U.S. support for resumption of the SEF-ARATS talks, and asked Chiang what the U.S. could do to support progress in future talks. Chiang replied that

Taiwan appreciates USG statements of support. He noted that reaching consensus on the issues currently being discussed is comparatively simple, since both sides see clear economic benefit. However, more complex economic issues such as liberalizing trade and investment restrictions, will be politically more difficult.

#### President Hu, Chinese Officials Cautious

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¶4. (C) Chiang said that in his meeting with President Hu Jintao on June 13 he reiterated Taiwan's desire to play a fuller role in the international community. Chiang noted that Hu's response did not go beyond his earlier remarks to KMT Chairman Wu Poh-hsiung that in principle these and other issues can be discussed. Chiang said he also raised the issue more directly with Taiwan Affairs Office Director Wang Yi, focusing on Taiwan's participation in the World Health Organization, a "truce" in the battle for diplomatic recognition by small states, and Taiwan's participation in regional forums such as ASEAN 3. Chiang said Wang avoided a direct response and urged Chiang not to reveal to the public that such issues had been raised during their meeting, indicating, Chiang said, the question remains too sensitive for lower-level officials to broach. Chiang added that Wang appeared more "steady" than his predecessor Chen Yunlin. Chiang believed Wang's appointment brings a seasoned diplomat to the TAO and should help to represent the office's views on Taiwan more clearly to the Chinese Foreign Ministry.

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#### One "Surprise"

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¶5. (C) Chiang told the Director that he was surprised when ARATS Chairman Chen Yunlin raised the issue of establishing in Taiwan a branch of the Hong Kong Chinese Tourism Association, which handles document processing for Taiwanese visitors to China. Chiang said he responded that the SEF and ARATS would be better suited to handle such responsibilities, but told Chen he would take the issue back to Taipei for further discussion. Chiang told the Director that the discussion of exchanging representative offices was cursory, but nevertheless made headlines in Taiwan. He added that negotiating on the issue would require explicit instructions from the Mainland Affairs Council (MAC). (Note: In response to media reports about the talks, DPP legislators and political commentators charged that Chiang had exceeded his authority by agreeing to China's proposal on representative offices. On Thursday, June 13, the MAC issued a statement that no agreement had been reached on the issue and that the SEF delegation was merely bringing China's proposal back to Taiwan for consideration. End Note.)

¶6. (C) Commenting on Legislative Speaker Wang Jin-pyng's declaration on June 16 that the SEF-ARATS agreements will require review and approval by the Legislative Yuan (LY), Chiang said Wang was trying to be helpful by reminding people of the LY's role in cross-Straits affairs. According to the Act Governing Relations Between People of the Taiwan Area and the Mainland Area, Chiang continued, revisions to the Act or the passage of new laws may be required for the implementation of certain agreements, such as the establishment of representative offices and direct sea transport routes.

#### Next Steps

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¶7. (C) The Director asked Chiang to outline the priorities for the next round of SEF-ARATS talks expected to take place later this year. Chiang replied that both sides had already agreed that the issue of air cargo charter flights would be on the agenda. The other two highest priority issues for Taiwan are starting direct cross-Straits marine cargo shipping

and establishing a new direct flight route for flights between Taipei and destinations on the mainland. Currently all flights between Taiwan and China must pass through a third flight information region (FIR) such as Hong Kong. Chiang said the lack of such direct shipping and flight routes adds enormous costs for Taiwan businesses and is a major obstacle to the island's future economic growth. Chiang noted that Taiwan is well aware of the political and security implications of "direct" flight routes that would cross or run along the Strait. Rather, the most likely route would run directly north from Taiwan before veering west toward the mainland.

18. (C) Chiang said his working relationship with MAC Chairwoman Lai Shin-yuan is good, adding that SEF and MAC have had good coordination so far. Upon his return to Taiwan, Chiang noted, he first reported on the talks to Lai and the two then went together to brief President, the Premier, and national security advisers.

Thoughts on the Diaoyutai Incident

19. (C) Chiang, also an expert on Japan affairs, told the Director that the root cause of the incident last week is the lack of a negotiated agreement between Taiwan and Japan on fishing rights in the seas around the disputed Diaoyutai

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(Senkaku) Islands. Chiang said he saw Japan's expression of regret as equivalent to an apology and believed President Ma does not want to see recent tensions harm the good relationship built up between Taipei and Tokyo over recent years. Nevertheless, Chiang expects it will be difficult to conclude an agreement with Japan over fishing rights.  
YOUNG